

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-09 ISO-00

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FEAE-00 FPC-01 H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05

OMB-01 PM-03 SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00

FRB-03 AGR-05 IO-10 XMB-02 OPIC-03 LAB-04 SIL-01 PA-01

PRS-01 USIA-06 /143 W

----- 010877

R 200805Z MAR 75

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 2727

INFO AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMEMBASSY DOHA

RUKOBT/AMEMBASSY JAKARTA 35

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY QUITO

AMEMBASSY TRIPOLI

AMEMBASSY TEHRAN

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY VIENNA

C O N F I D E N T I A L ABU DHABI 0619

BEIRUT PASS BAGHDAD

E.O. 11652: GDS

OAGS: ENRG, TC

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SUBJ: UAE OFFICIALS COMMENT ON OPEC SUMMIT

1. DURING CONVERSATIONS WE HAVE HAD WITH THEM LAST FEW DAYS, MINISTER PETROLEUM OTAIBA AND MININT UNDERSECRETARY ISMAIL MADE FOLLOWING COMMENTS ABOUT ALGIERS SUMMIT, WHICH THEY BOTH ATTENDED.

2. OTAIBA SAID THAT EXCEPT FOR LIBYA'S JALOUD AND GABON'S BONGO (BOTH OF WHOM OTAIBA BLUNTLY DESCRIBED AS "CRAZY") ATMOSPHERE OF SUMMIT WAS CONSTRUCTIVE AND FOCUSED ON REASONABLE PROPOSALS. WITH SOMEWHAT GREATER FRANKNESS ISMAIL SAID THAT WHILE THIS WAS TRUE ENOUGH ABOUT ATMOSPHERICS (HE HAD HIMSELF BEEN AMAZED TO HEAR SADDAM OF IRAQ AGREEING WITH EVERYTHING SHAH SAID) HE COULD HARDLY TERM CONFERENCE A SUCCESS SINCE THERE WAS NO AGREEMENT ON ANY OF THE MAIN SUBSTANTIVE POINTS IN ALGERIAN "PLAN OF ACTION". IN FACT, SAID ISMAIL, HEADS OF STATE MEETING NEVER EVEN DISCUSSED THESE TOPICS, IT HAVING BEEN PREVIOUSLY AGREED IN MINISTERIAL MEETINGS TO REFER THESE MATTERS TO VARIOUS COMMITTEES FOR STUDY. ACCORDING TO ISMAIL, HEADS OF STATE MEETING TOOK UP ONLY TWO TOPICS: FRENCH INVITATION TO PRODUCER/CONSUMER CONFERENCE, AND WORDING OF "SOLEMN DECLARATION."

3. ON FERTILIZER PROPOSAL, OTAIBA WAS CRITICAL OF ALGERIAN DESIRE TO PLUNGE AHEAD WITH IMPLEMENTATION WITHOUT FIRST GIVING MATTER CAREFUL STUDY, PARTICULARLY AS TO WHETHER THERE WOULD BE MARKET FOR THIS KIND OF INCREASE IN PRODUCTION. HE SAID THERE ARE A LOT OF FERTILIZER PLANTS ALREADY PLANNED FOR THE FUTURE AND POINTED OUT ABU DHABI ITSELF WAS HELPING TO FINANCE 3 FERTILIZER PLANTS, TWO OF THEM IN OTHER COUNTRIES. OTAIBA SAID THIS VIEW WAS SHARED BY MOST DELEGATIONS AND HE WAS GLAD TO SEE THAT FERTILIZER PROPOSAL WOULD BE SUBJECTED TO CAREFUL SCRUTINY BY EXPERTS.

4. ON PROPOSAL FOR JOINT OPEC FUND, OTAIBA SAID THOSE COUNTRIES THAT HAD THE MONEY TO CONTRIBUTE TO SUCH A FUND WERE GENERALLY OPPOSED, WHILE THOSE THAT DID NOT WERE ALL IN FAVOR. ALGERIANS HAD BEEN DISARMINGLY FRANK IN SAYING THAT THEY WOULD MUCH RATHER BE ABLE TO BORROW MONEY FROM OPEC AT LOW INTEREST RATES THAN PAY GOING RATE ON EUROPEAN MONEY MARKETS. OTAIBA PERSONALLY SEES NO NEED FOR SUCH A FUND AND AT SUMMIT MINISTERIAL PUT FORWARD PROPOSAL INSTEAD THAT COORDINATING MECHANISM BE SET UP AMONG EXISTING NATIONAL FUNDS. OTAIBA SAID HE FELT IT APPROPRIATE THAT THIS MATTER

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AS WELL HAD BEEN REFERRED TO COMMITTEE FOR FUTHER STUDY.

5. ISMAIL TOLD ME THERE WAS NO REAL DISCUSSION OR MEETING OF MINDS ON SUBJECT OF OIL PRICING AND PRODUCTION PROGRAMMING EITHER, DELEGATIONS AT SUMMIT READILY AGREEING THAT THESE ASPECTS OF ACTION PLAN AS WELL SHOULD BE ASSIGNED TO COMMITTEES FOR STUDY. FERTILIZER, FUND, AND PRICING WILL BE STUDIED BY VARIOUS COMMITTEES SET UP BY SUMMIT; PRO-RATIONING HAS BEEN ASSIGNED TO OPEC ECONOMIC COMMISSION.

FIRST THREE COMMITTEES UFE TO CONVENE AND BEGIN WORK MARCH 26; ECONOMIC COMMISSION CHARGED WITH EXAMINING PRODUCTION PROGRAMMING WILL CONVENE MARCH 30. RESULTS OF THESE STUDIES WILL THEN BE CONSIDERED BY EXTRAORDINARY OPEC MINISTERIAL MEETING TO BE HELD IN LATE APRIL, TASK OF WHICH WILL PRESUMABLY BE TO ADOPT FINAL OPEC POSITIONS FOR PRODUCER/CONSUMER CONFERENCE.

6. ISMAIL SAID SAUDI ARABIA IS FLATLY OPPOSED TO PRODUCTION PROGRAMMING AND THEREFORE THIS IDEA WOULD NOT IN HIS VIEW GET OFF THE GROUND. ON PRICING, HE SAID HE FOUND CONSENSUS AT SUMMIT THAT PRICES SHOULD NOT BE ALLOWED TO RISE FURTHER. HE THOUGHT MOST MEMBLRS WOULD SUPPORT ALGERIAN IDEA OF HOLDING PRICE STEADY FOR REST OF YEAR, THEN FOR SEVERAL YEARS ADJUST PARTIALLY FOR INFLATION, AND FINALLY TAKE INFLATION FULLY INTO ACCOUNT. ISMAIL THOUGHT ONLY IRANIANS OPPOSED TO THIS IDEA, PREFERRING THAT INFLATION FACTOR BE TAKEN FULLY INTO ACCOUNT IMMEDIATELY AFTER THIS YEAR.

7. OTAIBA SAID HEADS OF STATE HAD DISCUSSED AT SOME LENGTH FRENCH INVITATION TO PRODUCER/CONSUMER CONFERENCE. THERE WAS FEELING THAT WHILE ALGERIA, IRAN, SAUDI ARABIA AND VENEZUELA PERFECTLY LOGICAL AND GOOD CHOICES, GOF SHOULD HAVE SENT INVITATION TO OPEC AND ALLOWED OPEC TO MAKE CHOICE. OTAIBA SAID THERE WAS SOME DISCUSSION OF BROADENING OPEC REPRESENTATION TO INCLUDE ONE OR TWO SMALL PRODUCERS, AND IF THIS IDEA CARRIED HE THOUGHT UAE WOULD BECOME ONE OF PARTICIPANTS.

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